Quarterly Report

PROVINCE OF NOVA SCOTIA
HONOURABLE DONALD R. DOWNE
Minister of Finance

FIRST QUARTERLY UPDATE
Released September 30, 1998

HIGHLIGHTS

The Provincial Government has signaled its determination to maintain a balanced budget through an immediate $30.0 million reduction in general government administrative spending. The restrictions on travel, new hiring and capital expenditures are designed to help reduce an anticipated budget deficit.

- No change has been forecast at this point on federal or provincial source revenues. More detailed information will be available in time for the Second Quarterly Report in December.
- Net Debt Servicing Costs are now forecasted to be higher than budgeted, primarily because of a weaker Canadian dollar relative to the budget assumptions. During the spring of 1998, most Canadian economic forecasters were calling for a Canadian dollar in the low $0.70 range. By mid-summer the Canadian dollar had fallen below $0.64. Since that time it has recovered to approximately $0.66. The Department of Finance is now forecasting a $34.0 million increase in Net Debt Servicing Costs, using a Canadian dollar of $0.66 among other assumptions.
- In addition to the negative impact of the falling dollar, the government is also facing increased requirement to meet the health care needs of Nova Scotians. A total of $28.9 million in extra funding is now being allocated to the Department of Health. This money includes the province's share of the costs of setting up the new blood collection system, as well as extra funding for pharmacare and more money to meet increased demands for doctors' services.
- The Department of Economic Development is also recognizing significant requirements under agreements with a number of firms who have met or are now expected to meet, jobs and other targets this fiscal year. These agreements call for expenditures of provincial funds only when those targets are met. The agreements are largely responsible for the additional $18.5 million now required.
- In the absence of further action, the additional pressures would be forecasted to result in a budget deficit of $51.8 million. This forecast will change following the implementation of permanent cost saving measures and following the receipt of new revenue forecasts later this fall.

FISCAL SUMMARY ($ thousands)	**1998-99 Budget**	**1998-99 Forecast**	Favourable/ (Unfavourable) **Change from Budget**
Revenue	**4,382,718**	**4,382,718**	**---**
Net Program Expenditures *	3,687,695	3,736,695	
Restructuring Costs	3,129	3,129	---
Net Debt Servicing Costs	690,742	724,700	
Anticipated General Government Savings	---		30,000
Total Expenditures	**4,381,566**	**4,434,524**	
Budgetary Surplus (Deficit)	**1,152**		

* Net Program Expenditures include both Current and Capital Account Expenditures

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Quarterly Report

FIRST QUARTERLY UPDATE

Released September 30, 1998

SUMMARY of REVENUE

for the Fiscal Year Ending March 31, 1999

($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	980,752	980,752	---
Corporate Income Taxes	122,622	122,622	---
Harmonized Sales Tax	737,373	737,373	---
Motive Fuel Taxes	207,300	207,300	---
NS Liquor Commission	121,400	121,400	---
NS Gaming Corporation	160,171	160,171	---
Other Provincial Revenues	347,183	347,183	---
Total - Provincial Revenue	**2,676,801**	**2,676,801**	**---**
Federal Revenue Sources			
Equalization	1,183,503	1,183,503	---
CHST	440,647	440,647	---
Federal Compensation for Harmonization	77,700	77,700	---
Other Federal Sources	4,067	4,067	---
Total - Federal Revenue	**1,705,917**	**1,705,917**	**---**
Prior Years' Adjustments	---	---	---
Total Revenue	**4,382,718**	**4,382,718**	**---**

REVENUES

To date, budget estimates of corporate and personal income taxes have not been updated. Revisions are anticipated in the next Quarterly Report concurrent with the release of corporate and personal income tax data from Revenue Canada.

Budget estimates of transfer payments appear to be accurate and unchanged. No official federal estimates have been released since the Federal Budget in February. Transfer projections will be updated in the Second Quarterly Report in December, after the release of official federal data.

Early indications suggest consumption taxes, including harmonized sales tax, tobacco tax and motive fuel taxes remain at budget estimate levels. Other provincial revenue sources are not forecasted to change at this time.

Quarterly Report

FIRST QUARTERLY UPDATE — Released September 30, 1998

SUMMARY of NET PROGRAM EXPENDITURES
for the Fiscal Year Ending March 31, 1999
($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	34,296	34,296	---
Business and Consumer Services	29,213	29,188	25
Community Services	559,967	561,967	(2,000)
Economic Development and Tourism	58,904	77,400	(18,496)
Education and Culture/Universities	1,017,686	1,017,686	---
Environment	16,023	16,023	---
Finance	9,781	9,781	---
Fisheries	5,885	5,885	---
Health	1,455,102	1,484,023	(28,921)
Housing and Municipal Affairs	107,330	107,330	---
Human Resources	4,118	4,118	---
Justice	74,724	74,724	---
Labour	9,303	9,303	---
Natural Resources	55,064	55,057	7
Public Service	70,103	69,718	385
Transportation and Public Works	236,526	236,526	---
Unallocated Recoveries	(30,530)	(30,530)	---
Total - Net Program Expenditures	**3,687,695**	**3,736,695**	(49,000)
Comprised of: Current Account	3,539,857	3,589,219	(49,362)
Capital Account	147,838	147,476	362

NET PROGRAM EXPENDITURES

The Department of Community Services is forecast to be $2.0 million above original budget estimate due to the need to meet additional pressures in services to children and income support payments. The Department of Economic Development and Tourism previously entered into a number of agreements with businesses whereby their job creation efforts were funded when they met certain targets. Those targets have now been met, or are forecasted to be met, resulting in a legal requirement to pay out $18.5 million.

Quarterly Report

FIRST QUARTERLY UPDATE

Released September 30, 1998

NET PROGRAM EXPENDITURES

The Department of Health is now forecasting the need for an additional $28.9 million. The largest part of this requirement is to meet Nova Scotia's responsibilities for the new Canadian Blood system. Additional sums are also forecasted to meet the need for doctor's services and the pharmacare programs.

In addition, the Regional Health Boards and the Non-Designated Organizations are currently working on business plans to deal with their deficits. This planning process will be completed later this fall. Depending on the outcome of this process, the government could face additional pressures in this area.

DEBT MANAGEMENT SUMMARY

Debt Issuance and Refinancing Program

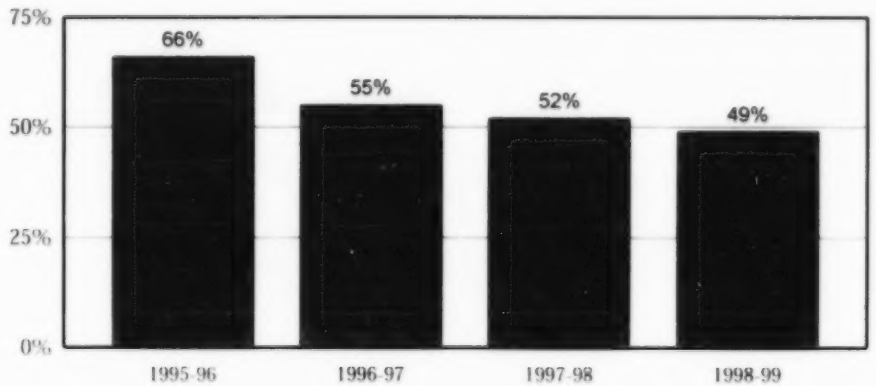
In early May, the province took advantage of an early call provision on a $150 million US dollar issue to refinance it on a Canadian dollar basis. In June, the Province reopened its existing 6.6% June 1, 2027 bond by issuing 250 million in the Canadian Domestic Market bringing the total outstanding for the issue to $550 million. In addition to the above transactions, the Province issued two structured transactions in the first quarter, a 5 year institutional deal for $58 million and a 11 year $10 million retail transaction. The forecasted refinancing program has been adjusted upwards to $785 million from the original $639 million due to the early call provision on the US issue as well as on a number of smaller domestic structured transactions.

Foreign Currency Exposure

The Province's foreign currency exposure at the end of June 1998 remained at the same level as year end at approximately 49%. The reduction in US debt from the early call provision was somewhat offset by the 3.5% decline in the Canadian dollar value against the US dollar since March 1998. Through the use of prudent risk management practices including the use of currency swaps, the province has made significant progress in reducing its foreign currency exposure from a high of 66% in the 1994-95 fiscal year to this past fiscal year's level of just below 49%. There are no unhedged foreign currency borrowings maturing over the next two years.

Consolidated Fund Debt Portfolio Foreign Currency Exposure

Percent



Quarterly Report

FIRST QUARTERLY UPDATE

Released September 30, 1998

DEBT MANAGEMENT SUMMARY

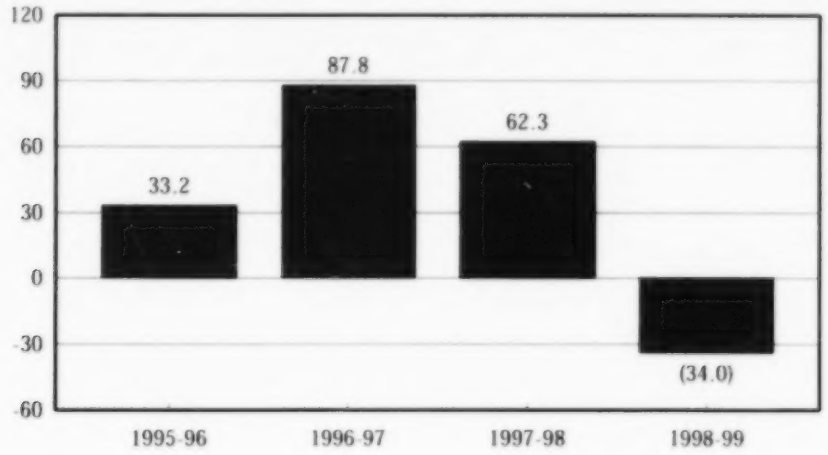
Net Debt Servicing Costs

Net Debt Servicing Costs have been revised upwards from the original estimate of $690.7 million to $724.7 million for the 1998-99 fiscal year. The increase is to reflect the unfavourable market conditions particularly a lower Canadian dollar value versus the value forecasted for budget assumptions. On a historical basis, the province over the past three fiscal years has had lower debt servicing costs than originally forecast through a combination of lower interest rates than forecast and better than anticipated returns on Sinking Fund Earnings.

Net Debt Servicing Costs Variance

(Estimated Costs less Actual Costs)

$ Millions



PENSION FUNDS PERFORMANCE

The Nova Scotia Teacher's Pension Fund and the Nova Scotia Public Service Superannuation Fund both have significant investments in equities as part of their long-term investment strategies. This section of the investment portfolio was reduced in the spring and early summer. At the height of the North American equity market downturn this August, the Superannuation Fund was estimated to remain fully funded. Precise actuarial evaluations are being conducted on both funds.

ECONOMIC DEVELOPMENTS

The financial and economic turmoil in Japan, Russia and other Asian economies has raised concerns about spreading to other economies around the world. In Canada, the Asian upheavals have directly and demonstrably affected the west coast economy. Forecasters are scaling back their outlook for Canada's economic performance over the short term, although the expectation remains for continued solid performance. Similar judgments are being made about the US economy. This strength is reflected in the 7.6% growth of Nova Scotia's exports in the final half of this year.

Quarterly Report

FIRST QUARTERLY UPDATE

Released September 30, 1998

ECONOMIC DEVELOPMENTS

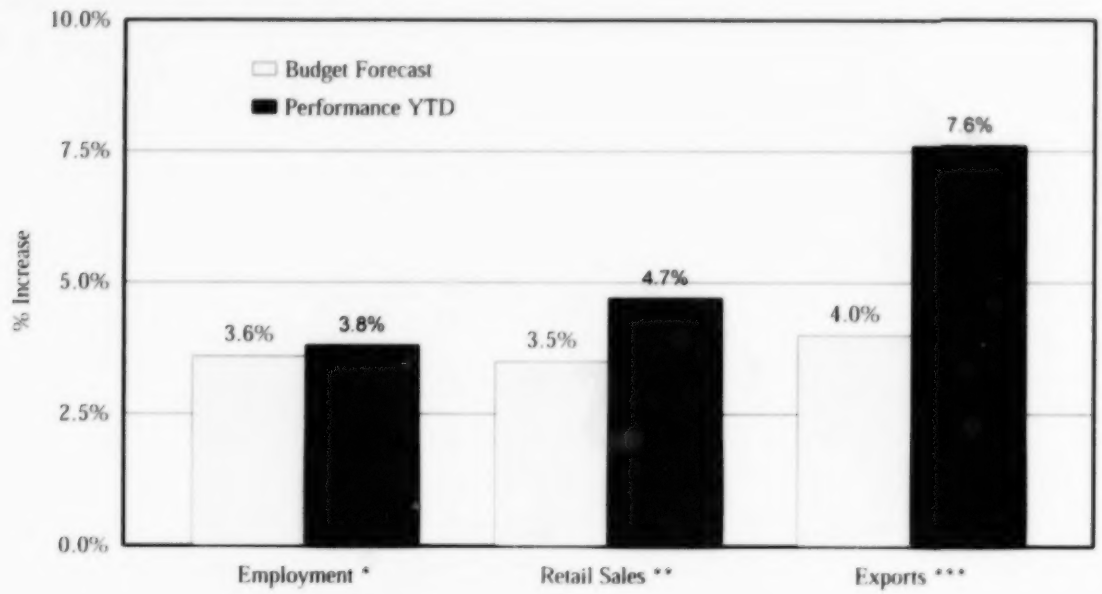
The provincial budget anticipated economic growth for Nova Scotia of 3.7% in 1998 and 2.4% in 1999. This outlook remains essentially intact. The principal driving force behind the acceleration in the province's economic growth in 1998 is the development of the Sable Offshore Energy Project. By all indications, this project is proceeding on schedule.

Available published data confirm forecast assumptions contained in the budget. Year-to-date data released by Statistics Canada on employment, retail sales, and merchandise exports show Nova Scotia's performance exceeding the Budget's assumptions. In the accompanying chart this information, which covers at least the first six months of the year, shows that Nova Scotia's economic performance to date is exceeding the budget's assumptions.

In addition, Statistics Canada has upgraded the 1998 capital spending intentions for Nova Scotia, in its late July release. Early in the year, Statistics Canada had capital spending increasing 7.7% over 1997; this is now substantially revised upward to 22.7%. This puts Nova Scotia well ahead of all other provinces in the projected increase in capital expenditures: for Canada, overall, Statistics Canada expects an increase of 7.7%. In 1998 capital spending sets the pace for economic growth in Nova Scotia, and Statistic's Canada's revised outlook for capital spending is considerably higher than the growth used in developing the budget's economic forecast.

Current available data on key economic indicators suggest that the economic growth forecast for Nova Scotia is attainable. Beyond this point of the year, any unexpected developments would have only modest effect on the province's economic performance in 1998.

Nova Scotia's Economic Performance - 1998



Note: * Employment data is for the period from January to August 1998.
** Retail Sales data is for the period from January to June 1998.
*** Exports data is for the period from January to June 1998.

Year End Forecast Update

PROVINCE OF NOVA SCOTIA **YEAR END FORECAST UPDATE**
HONOURABLE DONALD R. DOWNE **Released December 22, 1998**
Minister of Finance

SUMMARY

International uncertainty is causing a slowdown in economic growth forecasts across Canada. Nova Scotia's economy is relatively well insulated from the direct economic effects and is still performing well. Provincial economic growth continues to be stronger than the national average. However, the international situation is having a significant negative impact on the provincial budget as evidenced in the deterioration of Net Debt Servicing Costs from the budget. Net Debt Servicing Costs are now forecast to be $55.5 million higher than the original estimate, due largely to the weakening of the Canadian Dollar relative to the US Dollar and the Japanese Yen.

Provincial own source revenues are now forecast to come in at $24.7 million below budget estimate. Federal source revenues are expected to be $4.1 million less. A favourable Prior Years' Adjustment of $1.0 million has resulted from updated federal data. The overall result is a decrease in revenue of $27.8 million compared to budget estimate. (see Revenue discussion on page 2)

With the exception of special circumstances within the Departments of Business & Consumer Services, Economic Development & Tourism and Health, departmental spending is now forecast to be below budget. Despite the pressures in Health, departmental spending overall is less than 1% in excess of the budget and the measures implemented since the last report are expected to achieve $27.5 million in savings.

The net result of the increased Net Debt Servicing Costs, the increased demand for health spending and reduced revenues is a projected deficit of $108.6 million at year end.

FISCAL SUMMARY ($ thousands)	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Revenue	**4,382,718**	**4,354,927**	**(27,791)**
Net Program Expenditures *	3,687,695	3,714,227	(26,532)
Restructuring Costs	3,129	3,129	---
Net Debt Servicing Costs	690,742	746,200	(55,458)
Total Expenditures	**4,381,566**	**4,463,556**	**(81,990)**
Budgetary Surplus (Deficit)	**1,152**	**(108,629)**	**(109,781)**

* Net Program Expenditures include both Current and Capital Account Expenditures.

Year End Forecast Update

YEAR END FORECAST UPDATE Released December 22, 1998

REVENUES

Based on the latest available federal economic and fiscal assumptions, as they relate to estimates of income taxes and the most recent data regarding own source revenues, the Province is currently projecting an overall downward adjustment to its revenues of $27.8 million for the year ended March 31, 1999. Where the Province has received information to update its tax and federal revenue forecasts it has done so. These adjustments have resulted in a forecasted $15.1 million decline in personal income tax revenue from the budget estimate. This data has also resulted in an increase in Equalization of $2.0 million. There has also been a decrease in CHST of $6.1 million as a result of revised income tax data and finalized 1995/1996 EPF shares resulting from census adjustment. Post budget decisions to limit VLT gaming have resulted in a forecast decline in gaming revenues of $10.1 million for the year.

Historically, there has been significant volatility in revenue forecasts, particularly in the area of income taxes and federal transfers. Current interim provincial fiscal and economic assumptions indicate a possible further downward adjustment in these areas.

Summary of Forecasted Revenue

for the Fiscal Period April 1, 1998 to March 31, 1999

($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	980,752	965,580	(15,172)
Corporate Income Taxes	122,622	126,027	3,405
Harmonized Sales Tax	737,373	737,373	---
Motive Fuel Taxes	207,300	207,300	---
NS Liquor Commission	121,400	124,800	3,400
NS Gaming Corporation	160,171	150,063	(10,108)
Other Provincial Revenues	347,183	340,970	(6,213)
Total - Provincial Revenue	**2,676,801**	**2,652,113**	**(24,688)**
Federal Revenue Sources			
Equalization	1,183,503	1,185,513	2,010
CHST	440,647	434,576	(6,071)
Federal Compensation for Harmonization	77,700	77,700	---
Other Federal Sources	4,067	4,067	---
Total - Federal Revenue	**1,705,917**	**1,701,856**	**(4,061)**
Prior Years' Adjustments	---	**958**	**958**
Total Revenue	**4,382,718**	**4,354,927**	**(27,791)**

Year End Forecast Update

YEAR END FORECAST UPDATE Released December 22, 1998

NET PROGRAM EXPENDITURES

Overall, Net Program Expenditures are now forecast to be $26.5 million or 0.7% in excess of the budget. The additional spending requirements in the departments identified above have been offset in part by $27.5 million in anticipated general government savings.

Increased demand for health care services has resulted in an increase in spending of $28.9 million. The Province remains committed to ensuring that health services are available and accessible to Nova Scotians and there continues to be pressure for additional spending in this area.

The business planning exercise with respect to the Regional Health Boards (RHB) and Non-Designated Organizations (NDO) will not be complete until early in 1999. The process, which began in September, has allowed the Department of Health to obtain a better knowledge of the issues and cost pressures facing the RHB's and NDO's and has permitted the department to look at longer term planning for the acute care sector, recognizing that costs in this sector are very much dependant on service delivery options in the other sectors of health care such as long term care and home care. It is critical to determine the federal funding situation before

making any decisions that may have a long term impact on our acute care sector. The department is expecting this information early in 1999.

In the meantime, the department has asked the RHB's and NDO's to refrain from undertaking any new programs or significantly altering present programs or services, until such time as the business planning process is complete. The department expects that RHB's and NDO's take whatever cost saving measures that are available within a normal cost restraint mode and refrain from making any decisions on management salary changes.

Other variations in spending include additional spending provided to the vocational program at the University College of Cape Breton and a loss in expected funding from the Economic Diversification Agreement in Business & Consumer Services. The Province remains committed to containing spending during the remainder of the year.

Summary of Forecasted Net Program Expenditures

for the Fiscal Period April 1, 1998 to March 31, 1999

($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	34,296	34,296	---
Business and Consumer Services	29,213	32,213	(3,000)
Community Services	559,967	561,967	(2,000)
Economic Development and Tourism	58,904	77,400	(18,496)
Education and Culture/Universities	1,017,686	1,019,144	(1,458)
Environment	16,023	16,023	---
Finance	9,781	9,781	---
Fisheries	5,885	5,885	---
Health	1,455,102	1,484,013	(28,911)
Housing and Municipal Affairs	107,330	107,330	---
Human Resources	4,118	4,118	---
Justice	74,724	74,724	---
Labour	9,303	9,303	---
Natural Resources	55,064	55,064	---
Public Service	70,103	70,301	(198)
Transportation and Public Works	236,526	236,526	---
Unallocated Recoveries	(56,330)	(56,330)	---
Anticipated General Government Savings	---	(27,531)	27,531
Total - Net Program Expenditures	**3,687,695**	**3,714,227**	**(26,532)**

Year End Forecast Update

YEAR END FORECAST UPDATE Released December 22, 1998

ECONOMIC DEVELOPMENTS

In 1998, Nova Scotia will post its best growth performance in more than a decade. The number of persons employed in Nova Scotia was at an all-time high and consumer spending was remarkably strong early in the year. The value of merchandise export growth has been stronger than anticipated. And, it has been another banner year for Nova Scotia's tourism.

As was forecast in the budget, capital investment spending has set the pace for economic growth, led by the development of the Sable Offshore Energy Project (Tier 1).

Over the first nine months, the value of exports was up 8.2%. The continuing strong performance of the U.S. economy and the drop in the Canadian dollar have benefitted exporters, offsetting weakness in commodities prices and the sharp decline in the value of goods shipped to Japan and other Pacific Rim countries. These factors have also contributed to tourism's record growth. The $1.1 billion in receipts is a 6% gain over last year's record-breaking $1.04 billion.

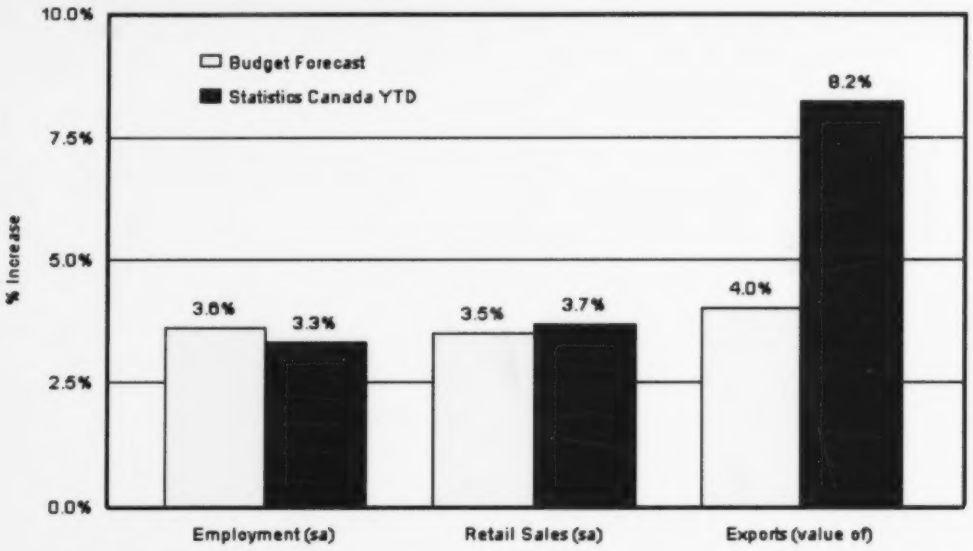
Growth in capital investment is leading the country for the second consecutive year in 1998 and export trade has performed well. During the first half of the year, there were robust gains in employment which have moderated somewhat in recent months.

Consumer spending has shown a similar pattern of growth, with an exceptionally strong growth performance early in the year. Retail sales growth over the first 10 months remained higher than forecast in the budget, spurred by a 10.7% increase in the value of new motor vehicle sales. Retail sales growth has been sustained in part due to the 3.4% reduction in the provincial personal income tax rate.

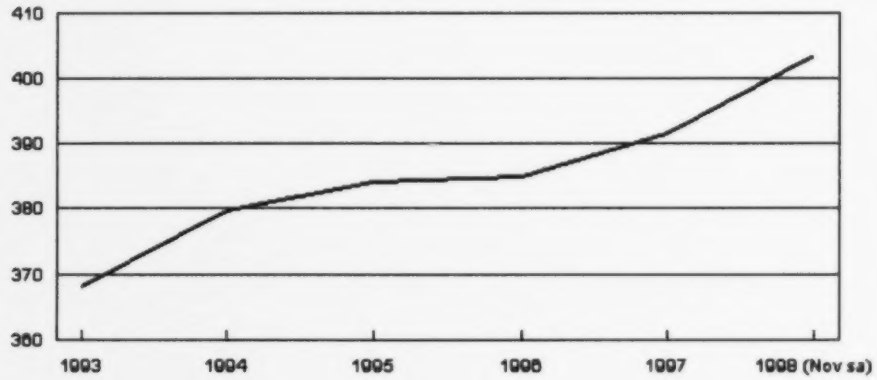
The Sable Gas projects have had a stimulating impact on the shape of Nova Scotia's economic growth in 1998. Growth will continue but will be unable to reach the same high levels in 1999 given that the Sable Gas projects are scheduled to be operational in late 1999.

Consequently, output, employment and income growth in the province will moderate in the year ahead.

Nova Scotia's Economic Performance - 1998



Nova Scotia Employment
(thousands of people)



Year End Forecast Update

YEAR END FORECAST UPDATE
Released December 22, 1998

DEBT MANAGEMENT SUMMARY

Debt Refinancing Program

In the second quarter of 1998/99 the Province issued $240 million in three transactions in the domestic medium term market. These issues consisted of a $200 million, five year institutional deal at a cost of 5.75% and $40 million in retail structured transactions which provides funding at about 5.0%. Subsequent to the end of the second quarter the Province launched one five year term domestic issue of $250 million with a 5.1% coupon rate, and one further retail structured transaction for $15 million. All of these transactions were denominated in Canadian dollars in the Province's continued program to reduce foreign currency exposure.

Net Debt Servicing Costs

Net Debt Servicing Costs are forecast to be significantly higher than budgeted. The $55.5 million increase is due to the unfavourable foreign exchange movements in the Canadian dollar and Japanese Yen in US dollar terms compared to assumptions used in the budget.

Pension Plan Performance

The Provincial Government's pension funds have significant long-term weightings in equities. As a result, both funds have seen investment improvements this fall as equity markets rebounded off their lows reached in August 1998. Actuarial valuations have recently been completed for both funds. As a result of the valuation on the Public Service Superannuation Fund, the Minister of Finance proceeded with the planned pension contribution holiday and the improvements to pension benefits. The valuation also confirmed that, if these measures were implemented, the Fund would remain in a surplus position.

Year End Forecast Update

YEAR END FORECAST UPDATE
Released February 10, 1999

PROVINCE OF NOVA SCOTIA
HONOURABLE DONALD R. DOWNE
Minister of Finance

SUMMARY

Strong national and provincial economic conditions are helping Nova Scotia improve its financial position. The latest information on employment in Nova Scotia and across Canada will also help drive future revenue growth. Statistics Canada is reporting employment gains continuing in January 1999 with a seasonally adjusted unemployment rate of 10% in Nova Scotia. Consumer confidence also remains strong with an average 4% growth in retail sales in 1998 up to the latest information available: November 30, 1998 compared to a budget estimate of 3.5%.

This recent economic and fiscal data brings current revenue forecasts back in line with original budget estimates. Revenue forecasts now have a positive budget impact ($46.7 m) compared to a negative impact in the previous Update.

In addition, the Provincial Government is continuing to meet all additional requirements for spending outside of health care through internal savings. A total of $28.9 million in savings has been identified as part of its management effort to contain administrative costs. These cost savings leave program spending in program priority areas such as health care, education and community services unaffected. Increased service requirements in health care ($57.1 m) have largely been matched by the net increase in revenues.

The improved economic climate is also giving strength to the Canadian dollar. As a result Net Debt Servicing Costs resulting from foreign debts have been reduced from the previous Year End Forecast Update. The net result is a significant improvement in the province's forecast deficit for year-end March 31, 1999. The current forecast of a $49.2 million shortfall is less than half the projection in the December 22, 1998 Update.

FISCAL SUMMARY ($ thousands)	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget	Per Cent (%) Change from Budget
Revenue	**4,382,718**	**4,429,391**	**46,673**	**1.06%**
Expenditures				
Net Program Expenditures *				
Health Care Expenditures	1,455,102	1,512,172	(57,070)	3.92%
Other Net Program Expenditures	2,235,722	2,235,444	278	-0.01%
Total Net Program Expenditures	3,690,824	3,747,616	(56,792)	1.54%
Net Debt Servicing Costs	690,742	731,000	(40,258)	5.83%
Total Expenditures	**4,381,566**	**4,478,616**	**(97,050)**	**2.21%**
Budgetary Surplus (Deficit)	**1,152**	**(49,225)**		

* Net Program Expenditures include both Current and Capital Account Expenditures and Restructuring Costs.

REVENUES

The Province is currently forecasting a revenue increase of $46.7 million compared to the original budget estimate. A major reason for the change is updated information for Prior Years' Adjustments (PYA's). This figure includes formula adjustments on economic models. The Province has now received adjustments to Equalization and the Canada Health and Social Transfer (CHST) for 97-98. Revised federal data for 1997 Personal and Corporate Income Taxes also resulted in positive PYA's (Total net change all sources $33.1 m)

With regard to Federal revenues for 98-99, new information to update the tax base and very strong growth in personal and corporate income tax in Ontario has significantly raised the standard for Equalization. As a result, Nova Scotia's Equalization revenues have grown by $56.8 million over 98-99 budget estimate. This is approximately 3.8% more than the $1.195 billion actually received in 97-98. The other major federal revenue source, CHST is driven by a formula that includes tax points and cash. A recent rise in the value of the tax points is forecast to reduce the cash value of the CHST by $27.2 million.

Provincial Personal Income Tax Revenues have seen a significant rebound from the previous Update. However, gaming revenues continue to be forecast lower than budget estimate for two main reasons: a decision to limit the increase of Video Lottery Terminals (VLT's); and a continuing dispute the with Atlantic Lotto Corporation.

SUMMARY of REVENUE
for the Fiscal Year Ending March 31, 1999
($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	980,752	988,583	7,831
Corporate Income Taxes	122,622	116,185	(6,437)
Harmonized Sales Tax	737,373	737,373	---
Motive Fuel Taxes	207,300	207,400	100
NS Liquor Commission	121,400	124,800	3,400
NS Gaming Corporation	160,171	150,063	(10,108)
Other Provincial Revenues	347,183	336,375	(10,808)
Total - Provincial Revenue	**2,676,801**	**2,660,779**	**(16,022)**
Federal Revenue Sources			
Equalization	1,183,503	1,240,309	56,806
CHST	440,647	413,450	(27,197)
Federal Compensation for Harmonization	77,700	77,700	---
Other Federal Sources	4,067	4,067	---
Total - Federal Revenue	**1,705,917**	**1,735,526**	**29,609**
Prior Years' Adjustments	---	**33,086**	**33,086**
Total Revenue	**4,382,718**	**4,429,391**	**46,673**

NET PROGRAM EXPENDITURES

With the exception of service demands and some unexpected funding requirements in the health care system, Net Program Spending in Nova Scotia is on target with budget estimates. All extra spending requirements outside Health ($28.6 m) have been matched by identified general government savings ($28.9 m). Requirements for extra health care services are now forecast to be $57.1 million higher than original budget forecast. More than half the extra commitments are due to extra funding for the Canadian Blood system and emergency health. Extra revenues ($46.7 m) covers the majority of the extra commitments.

The business planning exercise with respect to the Regional Health Boards (RHB) and Non-Designated Organizations (NDO) is now being completed in preparation for Budget 1999-2000. These plans will recognize that costs in this sector are very much dependant on service delivery options in the other sectors of health care. The final plans will also take into account budget decisions by the federal government with respect to the timing and amount of additional funds available through the recently negotiated Social Union Agreement.

SUMMARY of NET PROGRAM EXPENDITURES
for the Fiscal Year Ending March 31, 1999
($ thousands)

	1998-99 Budget	1998-99 Forecast	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	34,296	34,296	---
Business and Consumer Services	29,213	32,213	(3,000)
Community Services	559,967	563,067	(3,100)
Economic Development and Tourism	58,904	77,400	(18,496)
Education and Culture/Universities	1,017,686	1,019,206	(1,520)
Environment	16,023	15,978	45
Finance	9,781	9,781	---
Fisheries	5,885	6,149	(264)
Health	1,455,102	1,512,172	(57,070)
Housing and Municipal Affairs	107,330	107,330	---
Human Resources	4,118	4,118	---
Justice	74,724	74,724	---
Labour	9,303	11,115	(1,812)
Natural Resources	55,064	55,064	---
Public Service	70,103	70,531	(428)
Transportation and Public Works	236,526	236,526	---
Unallocated Recoveries	(56,330)	(56,330)	---
Restructuring Costs	3,129	3,129	---
Identified General Government Savings	---	(28,853)	28,853
Total - Net Program Expenditures	**3,690,824**	**3,747,616**	**(56,792)**

ECONOMIC DEVELOPMENTS

In 1998, the Nova Scotia economy in 1998 achieved its best growth performance in a decade. Approximately 12,000 more Nova Scotians were employed in 1998 than in 1997, a 3.0 per cent gain in employment. The job creation realized in 1998 achieved another level of record employment in the province. By January 1999 the seasonally adjusted unemployment rate was 10%. The average for all of 1998 was 10.7% compared to a budget forecast of 10.6.%

In several respects, the strength of the economy exceeded expectations in 1998. Statistics Canada has indicated that the amount of Capital investment far surpassed the original outlook. Development of the Sable Offshore Energy Project (Tier I) provided the main impetus to the growth in investment expenditures, and this gave Nova Scotia the edge in leading all the provinces in this area in 1998. In addition, merchandise exports increased at nearly twice the expected rate of growth.

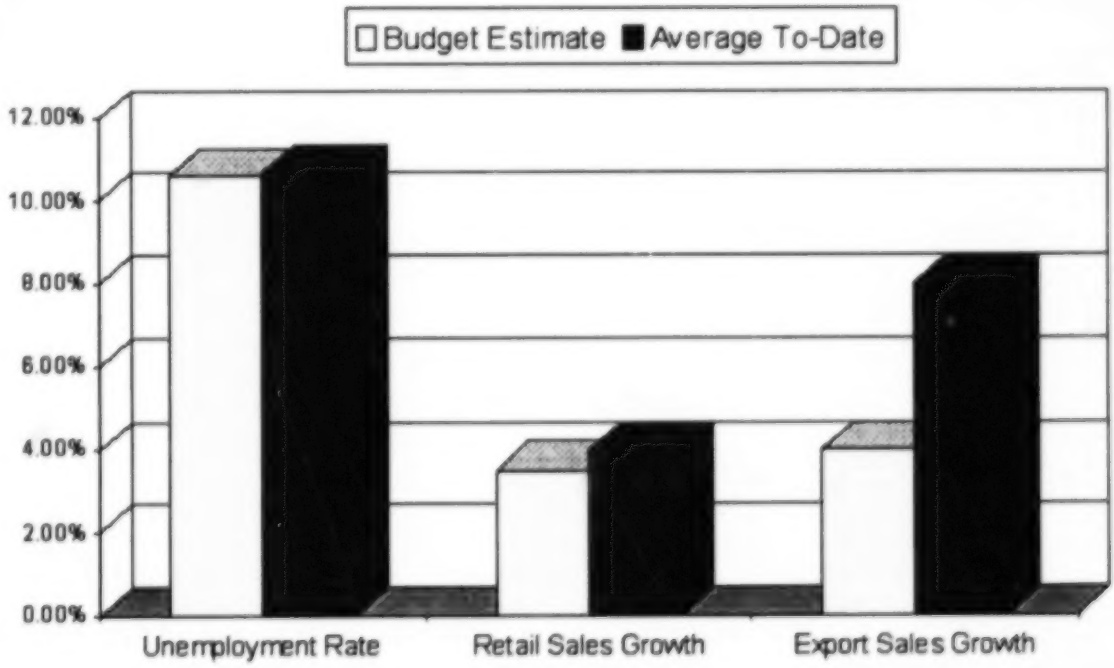
Consumer spending was also solid in 1998, supported by another record year in tourism and by the first full year of the 3.4% reduction in the provincial personal income tax rate. Retail sales growth exceeded forecasts, led by yet another very strong year of growth in new motor vehicle sales.

Growth momentum is forecast to continue through 1999. The Sable gas projects will sustain the pace of growth. As the year progresses, the focus of construction activity will shift from production and processing facilities to the laying of pipelines. The November target date for the start-up of gas production remains intact.

Uncertainties surrounding financial and economic conditions in the international environment continue to pose some

risks to the economic outlook for Nova Scotia; however, the continued strength of internal investment activity and the possibility of significant new infrastructure developments such as a new superport container facility in Halifax, introduce additional positive dimensions to the province's economic prospects.

Budget Estimate vs. Results To-Date



DEBT MANAGEMENT

Debt Refinancing Program

Between April 1,1998 and February 10,1999, the Province issued $1.073 billion in debt refinancing in Canadian funds. Subsequent to the release of the Year End Forecast Update dated December 22,1998, the Province launched a ten year term Canadian issue of $250 million with a 5.40% coupon.

Net Debt Servicing Costs

Net Debt Servicing Costs are forecast to be higher than budget, yet down from the previous figures reported in the Year End Forecast released December 22,1998. The $40.3 million increase over budget is down from the previous released figure of $55.5 million. The increase in debt service cost over budget remains the result of unfavorable foreign exchange movements in the Canadian dollar and Japanese Yen in US dollar terms compared to assumptions used in the budget. The current Year End Forecast assumes a conservative value of $0.65 for the Canadian dollar for the balance of the fiscal year.